DOCUMENT RESUME

ED 208 707 HE 014 276

AUTHOR Pran, Eugene H.
TITLE Marketing Mismanagement in Higher Education. Working Paper.
PUB DATE Oct 71
NOTE 16p.

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Advertising; College Administration; College Planning; College Students; *Consumer Economics; Decision Making; Declining Enrollment; *Educational Demand; Educational Economics; *Educational Finance; Financial Problems; *Higher Education; Information Needs; *Marketing; *Needs Assessment; Resource Allocation; Student Recruitment; Tuition
IDENTIFIERS *Market Research; Market Segmentation

ABSTRACT

The usefulness of marketing functions as they relate to higher education enrollment and financial problems is addressed, and proven marketing principles that have been violated by higher education decision-makers are considered. It is suggested that a college or university operation can be examined within the same context as any product organization, if focus is on basic customer groups. The university can be viewed as marketing services; research services to society generally and institutions specifically; instructional services to both undergraduate, graduate, and nondegree customers; and auxiliary services to the public, such as theater and football. It is suggested that variable pricing of tuition offers a reasonable alternative to higher education pricing. Variable pricing would provide a better balance and relate costs more realistically to demand, although it would have a detrimental effect on high-priced special programs. It is suggested that many colleges need to assess their current advertising approach and perhaps undertake a readership study of its catalog to determine what students and parents have or have not read or to determine why and how they arrived at the decision to register at the school. A market analysis tool that may be helpful to higher education is psychographic segmentation: examination of the behavioral patterns or life styles of various groups within the total market. It is suggested that if colleges carefully managed their marketing functions, they would assume the responsibility to provide an information base that students could use to assess the education they received. (SW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED208707

WORKING PAPER - OCTOBER, 1971

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☐ The document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

MARKETING MISMANAGEMENT IN HIGHER EDUCATION

by

Dr. Eugene Fram, Professor of Marketing
Director, Center for Management Study
Rochester Institute of Technology

The debacle of the Edsel is a legendary example of marketing mismanagement in business. Unknowingly, higher education (especially privately endowed schools) may be falling prey to similar mistakes. This observation raises the question: "To what extent have current problems been brought about by marketing mismanagement?" The private sector of higher education certainly is not another Edsel. However, considering the recent decline in demand for some forms of higher education, it should be fruitful to search for causes of the problem.

Uncontrollable events underly some of the problems, e.g., draft changes; reduction in defense spending and research allocations; growth of low tuition state schools. On the other hand, inescapable is an alternate hypothesis that some of the problems may stem from marketing mismanagement.[1] Private colleges and universities are capable of making the same marketing errors as any detergent or automobile manufacturer.

The purpose of this article is (1) to indicate the usefulness of marketing functions as they relate to higher education enrollment and financial problems, and (2) to discuss principles well

---

[1] Many articles have focused on current problems as a consequence of financial mismanagement.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Eugene Fram
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

proven through marketing experience, which have been violated by decision makers in higher education.

The Relationship Between Marketing and Higher Education

Although marketing is a function and higher education a product, structurally they evidence some similar characteristics. They are fields which are dependent on human behavior; and consequently, they must draw upon the behavioral sciences for their working tools. For example, the educator may use learning theory developed by psychology to better understand the learning pattern of a student. The marketing strategist may use the same information to help assess the potential acceptance of a new product.

Much of marketing can be considered an educational (and communications) process pointing to yet another point of similarity. But more importantly, and more critically, the operations of a college or university can be examined within the same context as any product organization, if one is willing to focus on basic customer groups.

A Pervasive Societal Activity

Many marketing people are coming to the conclusion that "marketing is a pervasive societal activity that goes considerably beyond the selling of toothpaste, soap, and steel..."[2] They also

---

[2] P. Kotler and S. Levy, "Broadening the Concept of Marketing" Journal of Marketing, January 1969, P. 10.

indicate that "...student recruitment by colleges remind us that higher education is marketed."[3] If one wants to classify higher education within this context, because it has a product (education) and potential customers (students and donors), it becomes clear that colleges and universities are in the service marketing sector offering:

1. Research services to society in general and institutions in specific.
2. Instructional services to both undergraduate, graduate, and non-degree customers.
3. Auxiliary service to the public such as theatre, football, etc.

In general, education has thought itself as being a profession both through the image of the institutions themselves and the qualifications of the faculty. As a result, in the past educators have waited to be approached similar to a physician-patient relationship. However, the "better mousetrap" hypothesis has long since been found untenable in the business field. Similarly education is "big business" and must be marketed.

Using the Marketing Functions

When administrators are willing to accept the fact that their institutions are marketing nontangibles, then they are ready to examine their product problems with marketing in mind. This is not difficult to do. For example:

---

[3] Ibid., P. 10.

1. Tuition - the tuition differential between private and public institutions is essentially a pricing problem. Putting it in marketing terms it resolves itself to how a private college or university can be price competitive with a higher cost structure, or conversely provide an improved, new or different product for the price differential.
2. Image - students and others are attracted on the basis of the image projected by the institution, just as one chooses any commercial business. Maintenance and coordination of this image is critical to long run survival of the institution.

The marketing transfer to college of university problems could be a long discussion in itself. However, to the action oriented educator fascinated with the approach, there is a set of guidelines readily available for utilization. These have been ignored in the past and may have been partly responsible for marketing mismanagment in higher education.

Marketing Guidelines

Although inviolate principles of marketing are rare, a number of essential items have been utilized for years that stem from common experience. The remainder of this article will focus on several of these to give a flavor of their potential impact in the higher education milieu.

I. In the final analysis, consumers are the ones who will accept or reject any price.[4] This realization of the marketing man requires him to focus on how the consumer perceives price. Consequently, he may price some items lower because of low demand and/or cost and other items higher. He works on an averaging process (called variable pricing) over a number of items to give him a reasonable or better return. It has been shown repeatedly that if his price becomes too high (i.e., too much profit) an efficient competitor will eventually enter the market, reducing the former's share of the market.

Applying this principle to college and university pricing, one perceives a rigidity in pricing approach that may have worked against the growth of some divisions. Is it fair and "marketwise" to charge the same price to English major "X" as Chemistry major "Y" when it costs much more (through fixed overhead) to educate the latter than the former? In reality, the English program, in this example, is carrying the burden for the Chemistry program! Another question could be raised on price as it relates to the student status in the program. It is well known that most schools charge the same tuition for the freshman student as they do to the senior student. Yet the cost of educating the senior student is higher because of smaller and more specialized classes.

---

[4] H. Lipson and J. Darling, Introduction to Marketing, (New York City), J. Wiley, 1971, P. 671.

With the financial pressures facing colleges and universities, it appears variable pricing of tuition would present a reasonable alternative to higher education pricing. Variable pricing would provide a better balance and relate cost more realistically to demand. No doubt it would have a detrimental affect on high priced special programs, but perhaps this is a desirable outcome. As a result, schools may be forced to examine realistically the cost of programs in relation to their worth to society.

II. A warranty is important in marketing high priced products. The consumerism movement has shown a marketing loophole in providing for customer needs and wants. As a result the trend today is to broaden the scope of warranties.[5]

What guarantees do colleges and universities offer on their educational product? What assurance does the student have that his learning will not become obsolete quickly? It would seem that educators might provide instruction at some point after a student leaves school as a guarantee that his educational package will remain viable for a reasonable length of time, considering his vocational interests. A few schools have given lipservice to real continuing education (over an extended life

---

[5] W. J. Stanton, Fundamentals of Marketing, 3rd Edition, (New York City), McGraw-Hill, 1971, P. 257.

time period), but few, if any, have become a reality.

Related to the guarantee is the continuous need to sell the student on the value of their programs while in school. He is a customer who pays for his product over a period of time and needs to be apprised continually of the value of his purchase. If not done properly he can easily be switched to another "supplier", as the growth in transfer students between senior institutions has clearly indicated.

III. Properly employed, advertising requires the right product, at the right time, at the right price. Although the general public has a simplistic view of the power of advertising (dollars invested in ads bring results), within the marketing community, "There is much debate and confusion about the extent of advertising's power to influence buyer behavior."[6] Many conditions affect the ability of advertising to do a job of pursuasion. For example, non phosphate detergents couldn't be sold ten years ago. Kotler presents five conditions under which advertising has been most effective, and added by this author are applications of these conditions to the educational setting:

1. When buyer awareness is minimal.

(Advertising can be helpful in informing large

---

[6] Kotler, Philip. Marketing Management, (Englewood Cliffs, New Jersey), Prentice-Hall, 1967, P. 456.

groups of potential students of a school's existence. If a school is well known in a local area, it may not be profitable to attempt to reinforce its image through advertising.)

2. When industry sales are rising rather than remaining stable or declining.

   (It is best to advertise when there is a large potential student body available. It is not wise to rely on advertising too heavily to reverse the tide of declining enrollment. Other marketing approaches are needed here.)

3. When the product has features not observable to the buyer.

   (A school needs to emphasize its little known programs and special student services such as clinical counseling services.)

4. When the opportunities for product differentiation are strong.

   (Apparently small differences can often significantly attract students. Examples: quarter versus semester system; courses that meet one night a week, etc.)

5. When primary instead of secondary motives can be tapped.[7]

   (Many schools promote the benefit of learning

---

[7] Ibid, P. 457.

itself, but the primary motive for taking a course or program may be vocational mobility; ability to keep up intellectually with friends; etc. These should be utilized in the marketing program.)

How many schools, beset with enrollment and attendant financial problems, have increased advertising expenditures in opposition to the above guidelines? The marketing reaction of many schools has been to revamp the catalog, (e.g., add color); print "slick" brochures, and flood potential applicants with all types of print media describing the wonders of its campus. All of this is being done when "sales are declining." These actions are natural ones, and ones which are still observed in many unsophisticated marketing organizations, most of them headed to failure. Another example can be found in the advertising done in the education sector of the New York Times. The typical school there simply lists the name of the school and the curricula, with the "sameness" of approach of hundreds of other schools. Where is the needed product differentiation?

How can colleges and universities use general advertising to tell its story? Overall, there are many ways of doing it, but a first step would be to assess its current advertising approach. How many schools have attempted a readership study of its catalog to determine what students and parents have or have not read? How many schools have surveyed their student

body in depth to determine why and how they arrived at the decision to register at the school; and more appropriately, why did students withdraw their applications? Required is more than a simple multiple answer questionnaire usually administered at an orientation period. The answer to this assessment may show that the current approach to advertising is working well. However, from a marketing viewpoint, the probabilities of this occurence are rather slim.

In essence, the question of advertising for higher education goes right to the heart of the marketing appeal itself. A college or university is competing for enrollment, endowment, grants, etc. "Customers" who have the potential for associating themselves with it, overtly or subtly, seek to find a school that is different. It is up to each institution to assess realistically that difference and then choose the advertising approach (if there is one) which best communicates it.

IV. Markets are heterogeneous not homogenous in character.[8] Marketing men have for years worked on the premise that their consumer markets, although homogenous in appearance, are really composed of a number of different subsets or segments. To survive in the market place, they must have some understanding

---

[8] E. Cundiff and R. Still, Basic Marketing. (Englewood Cliffs, New Jersey), Prentice-Hall, 1971, P. 103.

of these segments. In the early years of marketing analysis (from about 1910 to about 1950), marketing strategists were content to segment their markets on a demographic basis (age, sex, geographic location, etc.). This method of segmentation has a great deal of value today for it describes "what is". Of even greater value has been the introduction of "psychographic" segmentation as a tool of market analysis. With psychographic segmentation, the marketing man examines the behavioral patterns of groups to get a better understanding of the reasons for their behavior. In sociological terms, he seeks to better understand the life styles and other behaviors of the various groups within his total market. For example, psychographic segmentation of toothpaste users has shown the following segments based on desired customer behavior: (1) decay preventing; (2) brightness; (3) flavor and appearance; (4) price oriented.

Although higher education has utilized ideas from social psychology for many years (longer than marketing), the thought of dividing the student market by psychographic terms appears not to have even crossed the threshold. One sometimes hears obtuse references to behavioral segmentation such as the girl who goes to college to get married. However, beyond this surface observation very little has been accomplished to really understand the behavioral patterns which lead a donor or a student to associate himself with a college or university. In some cases, it may be as simple a facet as a desire to extend

adolescence through remaining at home while attending college. On the other hand, these psychographic segmentation findings are likely to be more complex, such as covert parental pressures, and desire for a good social life.

Institutions of higher learning have a substantial capacity for examining psychographic segments, and they should do it. The results of this work will help fine-tune their markets and should have some impact on curricula design. Of course, the value of this approach to the utilization of advertising previously discussed becomes obvious, i.e., if one knows the behaviors of his "customer" segment, he can easily use advertising approaches which will be readily understood by his customer groups.

V. Customers must be taught to use a product. Simple observation of the marketing process shows the concern of the producer involved with helping the customer obtain maximum benefit from product utilization. Instructions are given in as complete a manner as possible, and with bigger ticket items, a good sales approach requires post purchase contact of some manner. This last aspect of the marketing process has been subject to much study because the facts show that satisfied customers tend to reflect a good image to potential buyers and tend to be repurchasers themselves.

The application of this marketing principle to higher education is more subtle than the others already covered. This is because most educators pay little attention to the use students make of their education. True, there are alumni follow-ups of a general nature and some cooperative education programs, but to what extent are these translated into a program which relates the graduating student to his curriculum? The most well known problem is job "shock" or "reality" once the student enters his everyday work. He has studied a particular field but is given no aid in translating this effort into the work world which he may enter. This even happens with mature graduate students who relate the completion of specific course work to the ability to fulfill the qualifications of a particular occupational position.

If colleges and universities were carefully managing their marketing functions, they would readily acknowledge their responsibility to providing an information base which the student could make an assessment of how to use the education he has received. This needs to be done with realism, not with over confidence that seems to be the hallmark of some schools which tend to oversell their graduates. One vehicle for accomplishing this might be seminars entitled such as "The Realities of Work", "Politics in Working Organizations", "The Mechanics of Success".

In essence, good marketing practice mandates that institutions of higher learning need to orient their potential graduates on the use of their education in a similar (or even more stringent) manner to that which they orient their new students to college life. If the customer doesn't know the utilitarian value of the product he purchased, he isn't going to be happy with the "product organizations" (colleges and universities) which manufactured it.

Need to Understand the System

The five guidelines presented are samples of marketing principles which can be applied to higher education. Others which could be explored and adapted are:

To be a bargain, customers must recognize a bargain.

There may be a difference between customer statements and customer actions.

Everybody must sell.

Product planning is critical to product success.

Every business has a need to define its market precisely.

From what has been described, it should become evident that the marketing function like the education product is systematic in character. In the four examples detailed before, one can not discuss pricing without considering the

effect on price changes on advertising; that segmentation has a direct relationship to pricing, advertising, etc. However, in this whole system, the emphasis of marketing and marketing philosophy has been to place the customer in the center of all operations, and this is perhaps where higher education has done the most marketing mismanagement. This is not to say that the customer is always right because he isn't. It also does not imply that the customer always knows what he wants. Tested products, which fail, clearly show that he does not necessarily know what he needs and can use. In the higher education environment, a marketing approach can help the college or institution to focus on the customers and to make realistic assessment of what they are and where they are going because, if the customers don't buy, the institution will die. Not every school need be a nationally of internationally well known institution. However, it can make its mark if it really uses marketing skills to focus on the customers; the audience of students, donors, foundations, and others, who might associate themselves with the institutions.